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SENT VIA ELECTRONIC TRANSMITTAL

The Honorable David H. Meyer
Acting Deputy Director
Office of Electricity Delivery and
Energy Reliability
U.S. Department of Energy
Economic.Dispatch@hq.doe.gov

Re: Response of the Midwest ISO to *Questions for Stakeholders* in Connection with
the Economic Dispatch Study Required by Section 1234 of the Energy Policy Act
of 2005

Dear Mr. Meyer:

The Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") welcomes this opportunity to respond to the Department of Energy's Questions for Stakeholders in Connection with the Economic Dispatch Study Required by Section 1234 of the Energy Policy Act of 2005. The responses and materials provided in this filing are in addition to and intended to supplement the joint comments filed in this matter by the ISO/RTO Council ("Joint Response").

As discussed in the Joint Response, the Midwest ISO conducts economic dispatch through its security-constrained, bid-based economic dispatch protocols on file with the Federal Energy Regulatory Commission ("FERC"). This security-constrained, economic dispatch protocol was implemented on April 1, 2005. Pursuant to these protocols, the Midwest ISO dispatches generation resources across a footprint that is just under one million square miles and contains approximately 135,000 MW of generation capacity by optimizing supply offers to meet real-time demand at least cost, taking into account the constraints of the transmission system.

In addition to the materials provided in the Joint Response, the Midwest ISO has conducted benefit-cost analyses related to the implementation of security-constrained, economic dispatch in the Midwest ISO footprint. Attached herewith are the following studies and testimony filed by the Midwest ISO with regard to the benefits of economic dispatch:

- Benefit – Cost Analysis and Testimony of Dr. Ronald R. McNamara, Vice President of Market Management and Chief Economist for the Midwest ISO, before the Kentucky Public Service Commission in Case No. 2003-00266, In the Matter of: Investigation into the Membership of the Louisville Gas and Electric Company and Kentucky Utilities Company (collectively “LGE / KU”) in the Midwest Independent Transmission System Operator, Inc. This benefit-cost analysis and supplemental testimony shows the projected benefits to LGE / KU of being a member of the Midwest ISO with a security-constrained, economic dispatch protocol in place.
- The Initial Results of the study showing the Projected Benefits and Costs of Wisconsin Utilities Participating in Midwest ISO Energy Markets provided on March 26, 2004.
- The testimony of Dr. Ronald R. McNamara, Vice President of Market Management and Chief Economist for the Midwest ISO, in Docket Nos. ER04-691 and EL04-104 before FERC, discussing the impact of “grandfathered agreements” on the Midwest ISO’s proposed centralized dispatch protocols. This analysis was performed at the direction of FERC and projects that the operation of regional security-constrained economic dispatch using locational marginal prices will result in direct net benefits of \$128.4 million in the form of reductions in the cost to serve native load.

In addition to the studies and testimony listed above, the discussion of economic dispatch in the following FERC dockets relating to the merger of certain companies may be helpful to the Department of Energy in fulfilling the efforts outlined in its September 1, 2005, letter:

- *Cincinnati Gas & Electric Company and PSI Energy, Inc.*, 80 FERC ¶ 61,374 (1997);
- *PNM Resources, Inc., et al.*, 110 FERC ¶ 61,204 (2005); and
- *Ameren Energy Generating Company, et al.*, 108 FERC ¶ 61,081 (2004).

The Midwest ISO looks forward to working the Department of Energy and interested stakeholders to further show the benefits of economic dispatch. Please feel free to contact Jim Holsclaw of the Midwest ISO at jholsclaw@midwestiso.org or (317) 697-2746 with any questions related to this response or any further questions related to the benefits of economic dispatch.

Sincerely,



Stephen G. Kozey

cc: Alex DeBoissiere